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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 03/28/08

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## 1) TOP HEADLINES

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(2) Central and local governments responsible for destruction caused by rainstorm

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Yomiuri:

(1) In response to Fukuda's new proposal, DPJ, too, should make a bold concession

(2) Predicted flood damage to the metropolitan area requires relevant prefectures to take measures

Nikkei:

(1) Ruling and opposition parties need to have full debate in response to Fukuda's new proposal

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Sankei:

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Tokyo Shimbun:

(1) Fukuda's new proposal should be discussed openly in detail

(2) New curriculum guidelines: Reinforcing moral education questionable

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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, March 27

NIKKEI (Page 2) (Full)  
March 28, 2008

10:22

Met Chief Cabinet Secretary Machimura at the Kantei, followed by LDP Diet Affairs Committee Deputy Chairman Kosaka.

11:05

Met Cabinet intelligence Director Mitani, followed by Deputy Chief Cabinet Secretary Futahashi.

12:48

Met Machimura.

13:16

Met Machimura.

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14:04

Met Lower House Steering Committee Chairman Sasagawa, followed by Lower House member Masaaki Taira and others. Afterward, met LDP Policy Research Council Chairman Tanigaki and Deputy Secretary General Hosoda.

16:00

Held a press conference. Afterward, met Futahashi and Assistant Deputy Chief Cabinet Secretary Saka.

17:10

Held a teleconference with Italian Prime Minister Prodi.

17:54

Met Prime Minister Sevele of Tonga.

18:32

Met Deputy Chief Cabinet Secretary Ono.

19:02

Held at his official residence a foreign policy study meeting with National Defense Academy President Iokibe and others, joined in by Machimura.

4) State budget to be enacted today; Provisional measures for items other than gasoline may be maintained

YOMIURI (Page 4) (Excerpts)  
March 28, 2008

In the event an agreement is reached between the ruling and opposition camps on a bill (stopgap bill) to extend the expiration of special taxation measures, except for the gasoline tax, for one month, the stopgap legislation would be enacted before March 31, thus allowing the government to maintain the special measures that have a significant impact on the people's livelihood.

If the major opposition Democratic Party of Japan accepts the ruling bloc's proposal, the Lower House Financial Affairs Committee and General Affairs Committee would present the stopgap bill to their respective chairmen. In that event, of the tax-related counterproposals presented to the Upper House, the DPJ is expected to withdraw a bill separately handling seven items except for the gasoline tax.

Because there is not much time for deliberations before March 31, the DPJ is also expected to reverse its rejection and allow deliberations to take place on days other than the regular timetable in the Upper House, where it holds the leadership.

At the same time, the DPJ is set to call for thorough Upper House deliberations on the tax-related bills. "Gasoline prices should be lowered as long as possible," a senior DPJ lawmaker said. There is a

possibility that the Upper House will not discuss the bills and a second vote at the Lower House will slip to April 29 or later.

Many observers think that if talks between the ruling and opposition blocs break off, the DPJ would continue resisting deliberations on the bills, including the counterproposals. In such an event, special measures on items other than gasoline are certain to lose validity.

Meanwhile, the fiscal 2008 state budget bill is expected to be

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adopted in an Upper House plenary session today. It would be voted down by a majority of the DPJ and other parties, but because the Lower House's decision takes precedence over the Upper House's under the Constitution, the budget will be enacted tonight through talks between the two chambers of the Diet.

5) Fukuda proposes shifting highway tax revenues to general budget starting in FY2009, but DPJ balks

NIKKEI (Top Play) (Excerpts)  
March 28, 2008

In a news conference at his official residence yesterday afternoon, Prime Minister Yasuo Fukuda proposed shifting the full amount of special tax revenues for highway construction to the general budget starting in fiscal 2009. He also revealed that he would reject an immediate end to the provisional gasoline and other tax rates. The Democratic Party of Japan (DPJ), in reaction, has expressed its disapproval of the prime minister's new compromise plan, so the provisional tax measures are now certain to lapse at the end of March. Meanwhile, the ruling coalition has sounded out the opposition bloc on a plan to submit a stopgap bill designed to extend the provisional rates up until the end of April, with the aim of avoiding other special measures, including the exemption of taxation on foreign capital on the Tokyo Offshore market, from also expiring, together with the provisional highway tax rates. Last-minute coordination is going on between the ruling and opposition camps.

The separate framework for highway-related taxes will be "abolished in this year's tax reform proposal and incorporate the tax revenues into the general account," Fukuda said at the news conference. He also called for shortening the timeframe for the mid-term highway construction program worth 59 trillion yen over a decade from 10 years to five years.

Such road-related tax revenues as gasoline and automotive weight tax revenues are used exclusively for highway construction in principle. Prime Minister Fukuda instructed the ruling parties on March 19 to also discuss the possibility of opening the full amount of highway tax revenues for general use. Fukuda has now come up with more details about this idea.

Fukuda said that the tax rates on gasoline and other areas should be "reviewed, with such elements taken into account as international trends in addressing global warming, the need for highway construction in local areas, and the austere finances of the national and local governments." He thus indicated that the government would review the provisional tax rates in or after FY2009.

But Fukuda rejected the DPJ's call for an end to the provisional tax rates starting in April, saying: "We will lose 2.6 trillion yen in tax revenues, leaving no money for local governments. That is an unreasonable argument." He clarified his opposition to the DPJ's call that would require revising the FY2008 budget bill. Fukuda proposed to meet DPJ President Ichiro Ozawa to break the impasse, saying: "I would like to hold party head talks, if possible." He also suggested forming a joint panel with the DPJ to discuss highway issues.

The DPJ, however, distributed copies of a brochure titled "Ozawa's

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three principles" that includes the immediate abolishment of the provisional tax rates to all party members prior to the prime minister's new conference, underscoring its stance of refusing the prime minister's compromise plan. Secretary General Yukio Hatoyama told reporters: "The proposed shift of road tax revenues to the general budget in a year merits appreciation, but we cannot concede our position on the provisional tax rates. We cannot necessarily make a positive response."

6) Ruling bloc proposes extending by one month provisional tax rates, excluding road-related taxes

ASAHI (Page 4) (Excerpts)  
March 28, 2008

The ruling parties proposed yesterday to the opposition camp that provisional tax rates excluding the provisional gasoline tax and other road-related taxes, be extended for one month until the end of April. The provisional tax rates will expire on March 31. The aim is to avoid a negative effect on the daily lives of the people by enacting a so-called "stopgap bill" that would be sponsored by lawmakers. Although the ruling coalition plans to deal with this bill separately from a government bill amending the Special Taxation Measures Law, there remains leeway for them to readopt the government legislation by a two-thirds majority vote at the end of April in the House of Representatives.

The ruling bloc presented yesterday afternoon the proposals to the opposition side in a meeting of secretaries general. The ruling parties had taken a stance of taking a second vote on the government tax reform bill, considering that the government bill would be rejected if a bill drafted by the main opposition Democratic Party of Japan (DPJ or Minshuto) was adopted in the House of Councillors. The DPJ bill stipulates that the road-related taxes and other provisional tax rates should be separated.

In regard to this point, the ruling camp's proposal stipulates that the Lower House speaker and Upper House president would confirm that the purpose of the proposal differs from the cabinet law. This means that adoption of the stopgap bill would not be a rejection of the government's legislation.

The ruling and opposition camps will hold a meeting today of their policy chiefs and Diet affairs committee chairmen to discuss the ruling bloc's proposals. If the two sides agree to the lawmakers-sponsored bill, the chairmen of the Lower House committees on financial affairs and internal affairs and communications will present it to the plenary sessions of the two Diet chambers, and it will be adopted by the two Diet houses by March 31.

The ruling camp's proposal stipulates that of the provisional tax rates, such provisional taxes that may negatively affect the people's lives as the reduced tax rate for the registration and license tax, which is imposed on the purchase and sale of land, and the taxes on tobacco and whiskeys that tourists bring into Japan, should be extended by one month.

7) DPJ unlikely to accept Prime Minister's new proposals; Formulates "Ozawa three principles"

NIKKEI (Page 2) (Excerpts)  
March 28, 2008

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The main opposition Democratic Party (DPJ or Minshuto) is going to stick to its policy of reducing gasoline prices 25 yen per liter through an immediate scrapping of the provisional tax rates, even though it appreciates Prime Minister Yasuo Fukuda's just proposed plan to shift tax revenues earmarked for road construction and maintenance to the general account. The largest opposition party has no intention to compromise since it thinks that this is a battle that it now can win.

Yesterday afternoon, when the news came around that Fukuda would

reveal a new proposal, DPJ Diet Affairs Committee Chairman Kenji Yamaoka sent two notes to his party lawmakers. One was the party's own set of proposals, including an extension of provisional tax rates in seven areas such a tax exemption linked to offshore markets. The other was "Ozawa's three principles," which were drafted with yesterday's proposal in mind. The "three principles" are: 1) revenues from road-related taxes should be freed up for purposes other than road projects from fiscal 2008 and most of the revenues and subsidies should be distributed to local governments; 2) the provisional tax rates should be immediately scrapped; and 3) the practice of amakudari under which elite bureaucrats get plum positions in the private sector or public bodies after their retirements should be completely abolished. The DPJ's plan is meant to reject Fukuda's proposal that the revenues from road-related taxes be used for other purposes but the provisional rates be retained.

The largest opposition party refuses to budge on its stance that gasoline prices should be cut by scrapping the provisional tax rate. After Fukuda's press conference, the DPJ held an executive meeting last evening, but Ozawa did not take part in it. So, one executive called up Ozawa, who said, "The proposals include nothing new." The executive member told Ozawa: "Do you want me to fax (the proposals)." Ozawa replied, however: "No, you don't have to."

However, the DPJ does not want to see the expiration of some of the provisional tax rates since it has presented its own bill.

8) DPJ severely criticizes prime minister for maintaining tax rate in compromise proposal, but some in the party are worried that the public will turn away from it

TOKYO SHIMBUN (Page 2) (Excerpts)  
March 28, 2008

Speaking to the press corps yesterday, Democratic Party of Japan (DPJ) Vice President Naoto Kan said this about the new proposal by the prime minister, "I would like to express my direct appreciation in the sense that turning (gasoline tax) into general revenues is a great step forward," However, regarding the prime minister's rejection of scrapping the provisional tax rates, he snapped, "The gap between our two views, I must say, is just too great."

DPJ Secretary General Yukio Hatoyama, too, severely criticized the prime minister's proposal by saying: "I can't fathom at all what the prime minister is thinking of doing about the provision tax portion. The prime minister's (proposal) seems to have been written by the bureaucrats."

However, is the party aware of trends in public thinking? If the DPJ continues to reject every new proposal that the prime minister

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presents, one mid-level DPJ lawmaker worried, "We will not be able to fully get the understanding of the public," admitting that there was that possibility.

9) DPJ decides to endorse Tani's reappointment in consideration of public reaction

YOMIURI (Page 4) (Abridged slightly)  
March 28, 2008

The major opposition Democratic Party of Japan decided at its Diet officers meeting yesterday to agree to the government's plan to reappoint Masahito Tani as National Personnel Authority president. Tani's reappointment is likely to win official approval in plenary sessions of the two houses of the Diet today.

Although the DPJ opposed Tani's appointment in 2004, it has decided to endorse his reappointment in view of the widespread concern in the party that its rejection of yet another personnel appointment would draw fire from the public.

After the Diet officers meeting yesterday, Diet affairs chief Kenji Yamaoka said to reporters: "Mr. Tani, in his hearings on his policy

stance, indicated that the government system has problems in connection with golden parachuting. We have given a positive assessment to what he has accomplished, which is close to our views."

Diet Affairs Committee Deputy Chairman Jun Azumi also indicated that the DPJ has decided to endorse the government's nomination for the sake of the political situation now that two nominees for the top Bank of Japan post have already been voted down in the Upper House.

10) Draft "Yokohama Declaration" of upcoming TICAD mentions need for promotion of investment in Africa

YOMIURI (Page 2) (Full)  
March 28, 2008

A full text of a draft "Yokohama Declaration," which is to be adopted at the 4th Tokyo International Conference on African Development (TICAD), a forum for leaders of African countries and representatives from international institutions to discuss the issue of how to develop Africa, was unveiled yesterday. The draft stresses the need for private-sector firms from Japan and other countries to make investments in Africa and promote trade with it so as to bring sustainable economic growth to Africa and exploit natural resources in African countries. The draft also emphasizes the importance of reforming the United Nations Security Council swiftly and it includes a policy guideline aimed at promoting "Cool Earth Partnership" as advocated by Japan to deal with climate change.

The draft says it is essential to boost the industrial foundation of Africa in order for it to attain sustainable economic growth and comes up with the policy line of promoting private-sector investment in Africa by Japan and other countries. The draft also specifies the need for African countries to improve their business environment.

As steps to achieve the United Nations Millennium Development Goals aimed at eradicating poverty and famine, the draft says, "Creating a community that will base itself in a local society will be of help," and points out the importance of agricultural development as well as

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the necessity of finding talented personnel through a campaign for one feature product produced by one village, and job creation.

On climate change and environmental issues, the draft notes, "Africa lacks the ability to adapt to the impact of abnormal climate (such as desertification and floods)." The draft refers to the "Cool Earth Partnership," a financial assistance mechanism for Japan to help developing countries to deal with climate change. Under the scheme, Japan plans to finance a total of 10 billion dollars over the next five years. The draft notes that African countries appreciate the mechanism and will promote it.

As for the reform of the UNSC, the draft says that "all the UN members need to make efforts to reform the UNSC" by upcoming September, when the current UN General Assembly closes. This item is included in the draft at the strong request by Japan as it learned a lesson from its failure to obtain support from all African countries for its bid for a permanent seat on the UNSC in 2005.

11) Nuclear declaration: U.S., North Korea studying compromise plan to produce secret document specifying separation of uranium program

TOKYO SHIMBUN (Page 2) (Full)  
March 28, 2008

Regarding a declaration of nuclear program by North Korea, it was revealed yesterday that a compromise plan is under study for the United States to specify in a secret document the separation of enriched uranium programs and nuclear proliferation activities from the planned declaration for endorsement by North Korea. It is a compromise plan designed to produce a secret document specifying the assertions of both the United States and North Korea, as was proposed by China. Six-party talks sources revealed the plan.

Although it is a desperate measure to bring progress to the

deadlocked talks, North Korea is reportedly dismissive of the plan. The sources said: "North Korea seems to hate admitting suspicions for such would make verification work unavoidable."

According to the sources, the compromise plan is designed for North Korea to declare a plutonium program to China, the chair of the six-party talks, and also to declare a suspected enriched uranium program and nuclear proliferation activities to the United States in the form of a secret document.

The United States presented the plan at U.S.-DPRK chief delegates talks held on March 13 in Geneva.

The United States have continued talks with North Korea through such channels as its mission to the United Nations in New York. As seen in its innovative expressions in the secret document, the United States is trying to elicit a positive stance from North Korea by giving consideration to that country.

12) Temporary blank in the sympathy budget certain

ASAHI (Page 4) (Full)  
March 28, 2008

The Japanese government's "sympathy budget" (omoiyari yosan) or host nation support for the stationing of U.S. forces in Japan will soon lose its legal grounds, leaving a blank period in the continued

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execution of the budget, since the current budget is to expire at the end of March. The government has asked the Diet for its approval of Japan's entry into a new special measures agreement with the United States to extend the sympathy budget for three years. However, Diet approval will likely be in April or later. The Foreign Ministry is concerned about a negative impact on Japan-U.S. relations. However, the government will have no substantial problem in its continued execution of the sympathy budget if the new special agreement is approved by early May. The opposition parties will call for further deliberations on questionable outlays from the sympathy budget.

"The confidence of the United States in Japan will be hurt (if the Diet delays its approval of the proposal to renew the current special agreement). At the same time, that is not good from the perspective of deterrence." With this, Foreign Minister Koumura stressed his view before the House of Representatives Foreign Affairs Committee in its meeting yesterday and strongly asked for the Diet's early approval.

The sympathy budget has never had a blank period since it started in fiscal 1978. The newly proposed agreement is for Japan to take on an annual appropriation of about 140 billion yen for three years. In the Diet, however, the ruling and opposition parties are squaring off over road-related tax revenues. As it stands, the Diet has been falling behind in deliberating on the sympathy budget. "The Diet is now divided," a Foreign Ministry official said, "so I can't tell anything." The government therefore cannot predict how long the sympathy budget will go blank.

In the Diet, the House of Representatives' decision takes precedence over the House of Councillors' decision as provided by the Constitution. The proposed agreement will therefore get Diet approval as is if the House of Councillors does not take a vote on it within 30 days after its passage through the House of Representatives.

The sympathy budget is mostly for labor costs (wages) for base workers and costs for utilities, such as heating and lighting. Even if the Diet delays its approval, the U.S. government will make payments for the time being. In that case, the Japanese government will refund later, so the sympathy budget will not be substantially affected. A source connected to the U.S. Embassy in Tokyo said: "If we pay temporarily for a while, they will pay back later, so there's no problem."

However, training relocation, which transfers some of U.S. military



aircraft's training flight missions to Air Self-Defense Force bases, is expected to be postponed during the blank period because the government needs to hold consultations with local governments hosting ASDF bases after the new agreement is approved.

13) Defense Ministry to pay for trawler search in Aegis accident

NIKKEI (Page 2) (Abridged)  
March 28, 2008

Following up the recent collision of a Maritime Self-Defense Force Aegis destroyer with a fishing boat off Chiba Prefecture's southern coast, the Defense Ministry decided yesterday to pay fuel and other costs to the Shinkatsuurashi Fishery Cooperative Association of Katsuura City, Chiba Prefecture, which cooperated in searching for a

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fisherman and his son who went missing in the accident. "I will immediately study this so that we can hear the local fishery people say we did it with our whole hearts," Defense Minister Shigeru Ishiba stated before the House of Councillors Foreign Affairs and Defense Committee in its meeting yesterday.

14) 3 opposition parties agree on SOFA revisions

NIKKEI (Page 2) (Full)  
March 28, 2008

In the wake of a recent junior high school girl rape in Okinawa Prefecture, the secretaries general of the Democratic Party of Japan (Minshuto), the Social Democratic Party, and the People's New Party reached a formal agreement yesterday on their proposal to revise the Japan-U.S. Status of Forces Agreement (SOFA) that provides the legal status of personnel with U.S. Forces Japan. In their proposal, the three opposition parties will call for suspects belonging to U.S. forces to be turned over to Japanese investigative authorities before they are indicted. In addition, their proposal features requiring USFJ to create and release a base use plan.

15) Vice defense minister to leave Mar. 30 for China

NIKKEI (Page 2) (Full)  
March 28, 2008

Administrative Vice Defense Minister Kohei Masuda, meeting the press yesterday afternoon, said he would visit China on a Mar. 30-31 schedule. Masuda is going to meet with Chinese Defense Minister (sic) Liang Guanglie, Vice Chief of the General Staff of the People's Liberation Army of China Ma Xiaotian, and others. Masuda will exchange views with them on various matters, such as the security environment of East Asia and China's defense spending from the perspective of increasing its transparency.

16) Government picks Radiopress' Suzuki cabinet intelligence analyst

MAINICHI (Page 2) (Full)  
March 28, 2008

The government yesterday decided to appoint Noriyuki Suzuki, director of the Radiopress news agency, as a cabinet intelligence analyst, the post, which will be established in April in the Cabinet Intelligence and Research Office. It is the first time for a private-sector person to be picked to a senior official-level post of the Cabinet Office.

The new intelligence analyst post will be set up based on the policy to strengthen intelligence function at the Prime Minister's Official Residence, which was compiled in February by the council to study how to strengthen the government's intelligence function forum (chaired by Chief Cabinet Secretary Nobutaka Machimura).

Government is going to appoint four more analysts from the public and private sectors. Suzuki will be in charge of Korean Peninsular affairs.

17) New curriculum guidelines say "Give children guidance about national anthem Kimigayo so that they can sing it

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TOKYO SHIMBUN (Page 1) (Excerpts)  
March 28, 2008

The Ministry of Education, Culture, Sports, Science and Technology (MEXT) yesterday announced the new curriculum guidelines that would be used in elementary schools and junior high schools starting in fiscal 2011 and 2012 respectively. The new guidelines, which were formed with some modifications added to the proposed revisions released in February, include in their general policy about educational activities at schools this phrase "Love our country and hometown." Regarding the national anthem Kimigayo, the proposed revisions said that in elementary school music classes, teachers "should give children guidance" about it, but the new guidelines say that teachers "should give children guidance about it so that they can sing it." These modifications, which are controversial, were apparently made at the last minute, when there was no time to have other opinions reflected in them. They are certain to draw criticism.

MEXT explained: "Based on our comprehensive judgment upon taking into consideration opinions obtained from the ruling bloc after the proposed revisions were released, as well as opinions obtained from the public, we have clearly reflected in the new guidelines the revised Basic Law of Education (that mentions patriotism)."

Regarding patriotism, the new guidelines already use such descriptions as "love our country" in their moral education guideline and "the feeling of loving our country" in their social studies education guideline. But the wording related to patriotism is used for the first time in the general rules of the new guidelines.

18) Electric, steel companies dominate top ranks of list of major greenhouse gas emitter companies

ASAHI (Page 1) (Excerpts)  
March 28, 2008

The names of companies that discharged a large amount of greenhouse gases, including carbon dioxide (CO2), are being made public. The Environment Ministry and the Ministry of Economic, Trade, and Industry will announce for the first time today how much gas such companies have emitted, based on an emission-reporting system as stipulated in the law to promote global warming countermeasures. In fiscal 2006, Tokyo Electric Power Co. topped the list, followed by JFE Steel and Nippon Steel Corporation. As it stands, companies in the electricity, steel, and cement industries dominated top ranks of the list. By announcing the list every year, the ministries aim to urge companies to make efforts to reduce greenhouse gas emissions and use the list as basic data in creating a domestic cap-and-trade system, on which full-scale discussion has already begun.

SCHIEFFER